

**CUSC Modification Proposal Form
(for Charging Methodology proposals)**

CMP201

Title of the CUSC Modification Proposal: *(mandatory by proposer)*

Removal of BSUoS charges from Generation

Submission Date *(mandatory by Proposer)*

8th December 2011

Description of the CUSC Modification Proposal: *(mandatory by proposer)*

This proposal seeks to align GB market arrangements with those prevalent within other EU member states. This will deliver more effective competition and trade across the EU and so deliver benefits to all end consumers.

It is proposed that Balancing Services Use of System (BSUoS) charges, which are currently charged to all liable CUSC parties on a non locational MWh basis, are removed from GB generators. This will effectively align the GB 'generation stack' with those in other EU markets, thus facilitate equitable competition with generation in other EU markets which are not subject to such charges.

There should be no adverse effects for GB end consumers, subject to implementation taking account of existing contractual commitments. Aligning the GB market arrangements with other member states better facilitates an efficient functioning internal market in electricity. To that end, GB consumers will benefit from more competitive arrangements delivered through a wider fully functioning competitive market in generation.

Whilst the EU Third Package arrangements recognise that different types of market organisation will exist within the wider internal market in electricity, it also acknowledges the need to ensure a level playing field to deliver the full benefits of a competitive internal market in electricity. These objectives are broadly comparable with the objectives applicable to the Charging Methodologies within the CUSC.

Description of Issue or Defect that the CUSC Modification Proposal seeks to Address:
(mandatory by proposer)

The Transmission Licence allows NGET to recover revenue in respect of the Balancing Services Activity, including the operation of the transmission system, through BSUoS charges.. Liable CUSC parties pay BSUoS charges, based on their energy taken from, or supplied to the transmission system on a non locational MWh basis. Being non locational and applied equally to all, they are considered as 'pass through' and so contain little or no incentive on generation to despatch in an efficient manner. The charges are also calculated ex post and therefore the market price offered by GB generation will contain an element to recover the cost and variability risk associated with their BSUoS charge.

Within Europe, it is commonly the case that the equivalent of BSUoS is charged almost exclusively to demand¹. Consequently, GB generation is disadvantaged when compared to equivalent generation in other member states.

Removing BSUoS from GB generation will allow generation to offer market prices that are comparable and competitive with other generation across the EU, recognising that energy trade is facilitated mainly on a 'generation stack' price.

Impact on the CUSC: *(this should be given where possible)*

Revision to Section 14 – Charging Methodologies, Part 2 – The Statement of the Use of System Charging Methodology, Section 2 – The Statement of the Balancing Services Use of System Charging Methodology
Main Sections affected are 14.29 and 14.30

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes/No *(assessed in accordance with Authority Guidance – see guidance notes for website link)*

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information: *(this should be given where possible)*

BSC

Grid Code

STC

Other
(please specify)

Wider implications on BSC cash-flows may need to be explored.

Urgency Recommended: Yes / No *(optional by Proposer)*

Justification for Urgency Recommendation *(mandatory by Proposer if recommending progression as an Urgent Modification Proposal)*

Self-Governance Recommended: Yes / No *(mandatory by Proposer)*

Justification for Self-Governance Recommendation *(mandatory by Proposer if recommending progression as Self-governance Modification Proposal)*

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews? *(mandatory by Proposer in order to assist the Panel in deciding whether a Modification Proposal should undergo a SCR Suitability Assessment)*

Yes. As this proposal seeks to make revisions to the BSUoS Methodology only, it has no interaction with the ongoing TNUoS SCR.

Impact on Computer Systems and Processes used by CUSC Parties: *(this should be given where possible)*

Minor Impact on National Grid Electricity Transmission's BSUoS charging system.
Mainly depending on the consideration of BSC cash flow implications, on BSC and User systems.
Possibly also on how volumes are notified and treated. .

Details of any Related Modifications to Other Industry Codes (including related CUSC Modification Proposals): *(where known)*

Justification for CUSC Modification Proposal with reference to Applicable CUSC Objectives:
(mandatory by proposer)

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

- (a) that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- (b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);
- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses.

Full justification:

National Grid believes that this proposal better meets the relevant objective of facilitating competition. It helps to create a level playing field between generators in the EU internal market for electricity which in turn should facilitate further cross-border trading. GB consumers should therefore benefit from more competitive prices as a consequence.

In that an objective of EU legislation is to promote a single internal market in electricity and facilitate greater cross-border trading, National Grid believes that this proposal properly reflects its duties in the development of its transmission business.

Details of Proposer: (Organisation's Name)	National Grid Electricity Transmission Ltd.
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party, "National Consumer Council" or Materially Affected Party)	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Iain Pielage National Grid Electricity Transmission Ltd 01926 656360 Iain.Pielage@uk.ngrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Andy Wainwright National Grid Electricity Transmission Ltd 01926 655944 Andy.Wainwright@uk.ngrid.com
Attachments (Yes/No):	
If Yes, Title and No. of pages of each Attachment:	